Source: https://www.industrydocuments.ucsf.edu/docs/lkln0004

Newport Study
October 1998

2072455233

Source: https://www.industrydocuments.ucsf.edu/docs/lkln0004

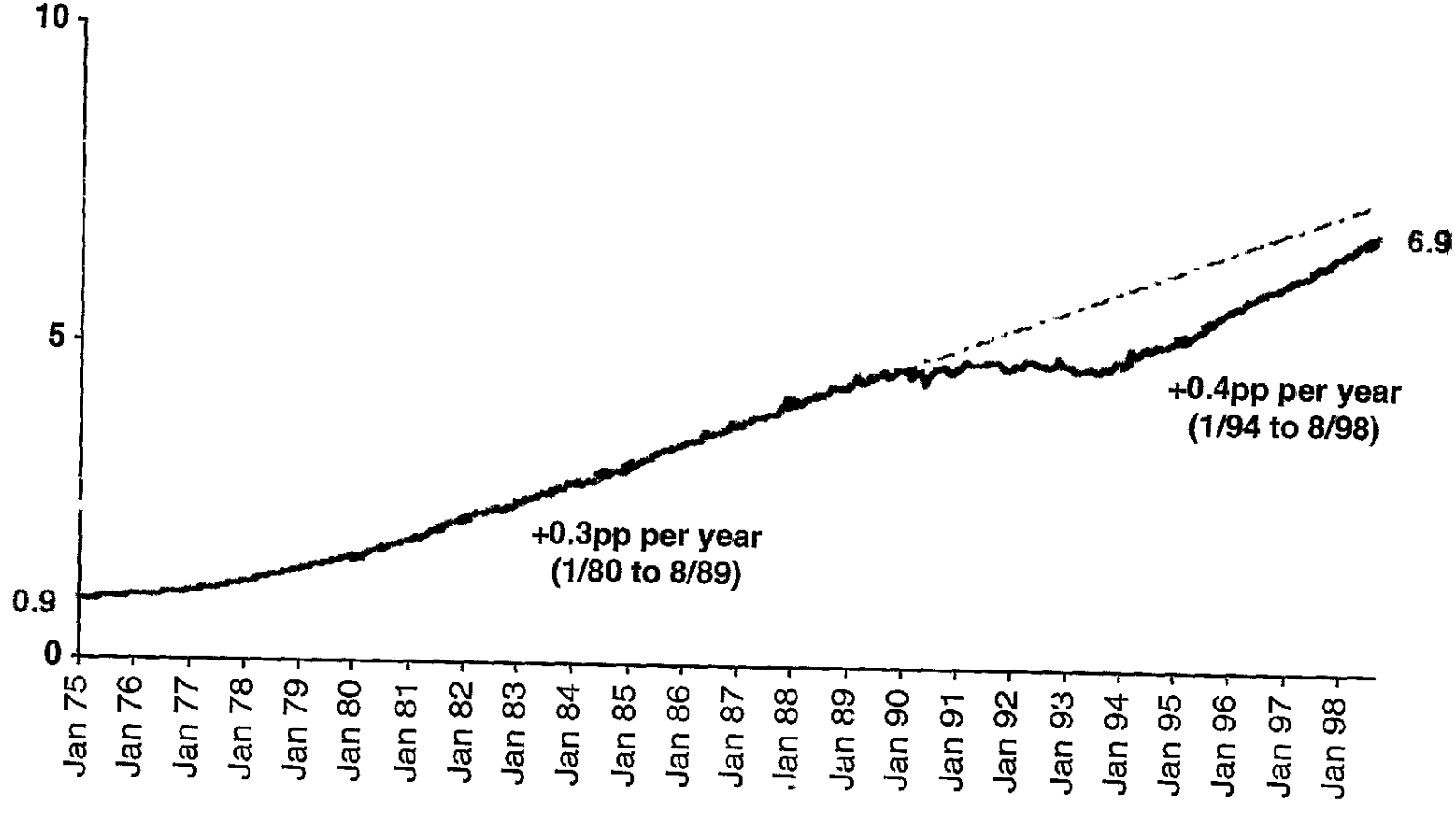
Purpose:

- **Review databases and tap into knowledge of our Field Sales Force to ascertain how PM should compete with Newport.**

2072455234

Source: https://www.industrydocuments.ucsf.edu/docs/lkln0004

Newport Share History
(% 12mm)

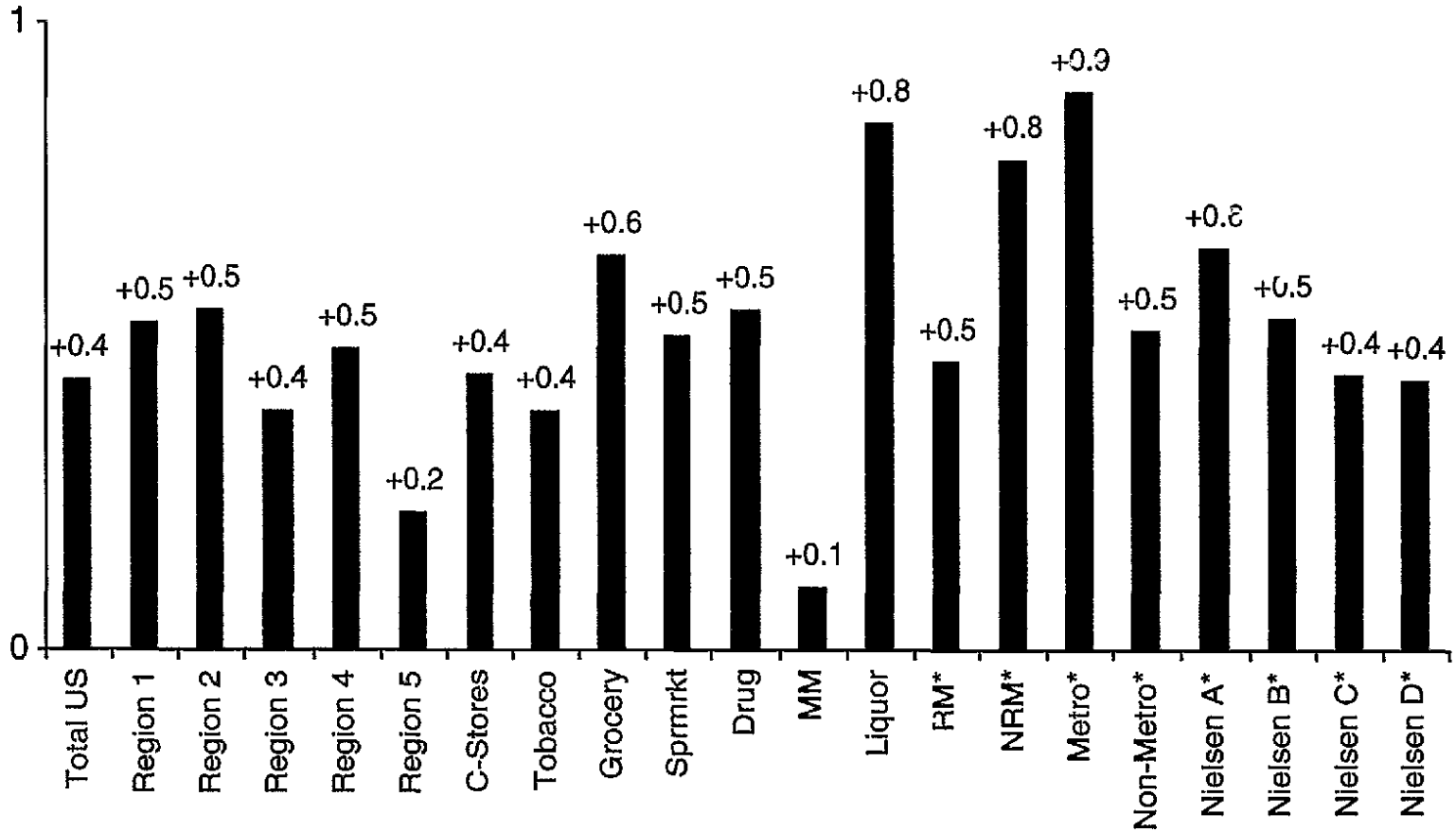


Source: MSA Shipments

Source: https://www.industrydocuments.ucsf.edu/docs/lkln0004

2072455235

Newport Share Growth
(Chg. pp 52wks vs. YAG*)



Share	5.8	11.0	7.1	2.6	5.6	2.3	6.5	3.1	7.7	4.3	8.2	3.0	7.5	5.3	7.4	10.0	5.5	7.6	5.6	4.0	3.2
% Contribution		30	32	9	24	6	63	6	7	12	6	3	4	52	48	24	76	51	41	4	4

* STARS Store level data is 13wks vs. YAG
Source: STARS, STARS Store level

2072455236

Source: https://www.industrydocuments.ucsf.edu/docs/lkln0004

Growth Drivers

- Gradual contiguous expansion
  - Approximately 50% of growth from underdeveloped geographies since 1994
- Broadening consumer appeal
  - Highly developed among African American and Hispanics (PR)
  - Growth across all age/race subsets
  - Recent white Young Adult Smoker (LA to 24) growth
  - Retaining smokers
- Numerous new product distractions
  - Non-menthol?

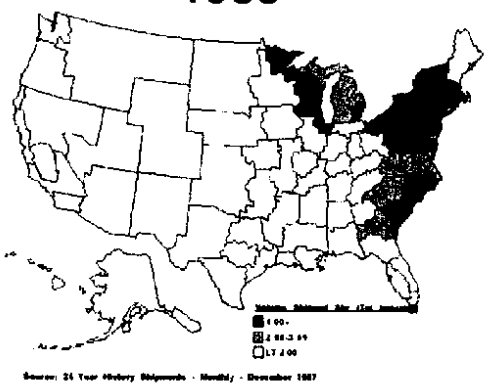
2072455237

Source: BP Estimates based on Nielsen data

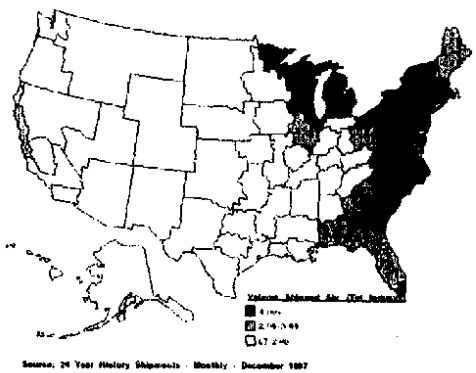
Source: https://www.industrydocuments.ucsf.edu/docs/lkln0004

Newport Geographic Expansion

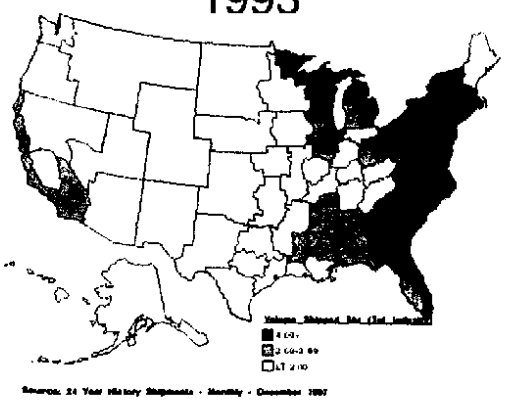
Newport Share
1983



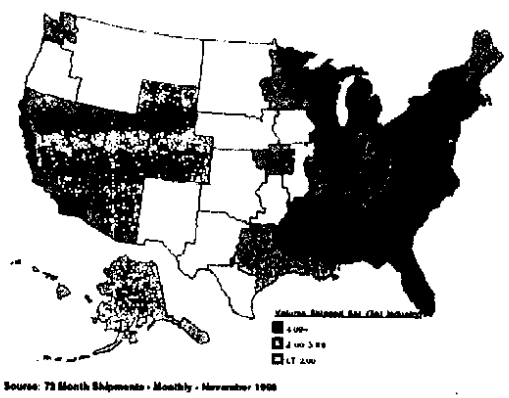
Newport Share
1988



Newport Share
1993



Newport Share
1998

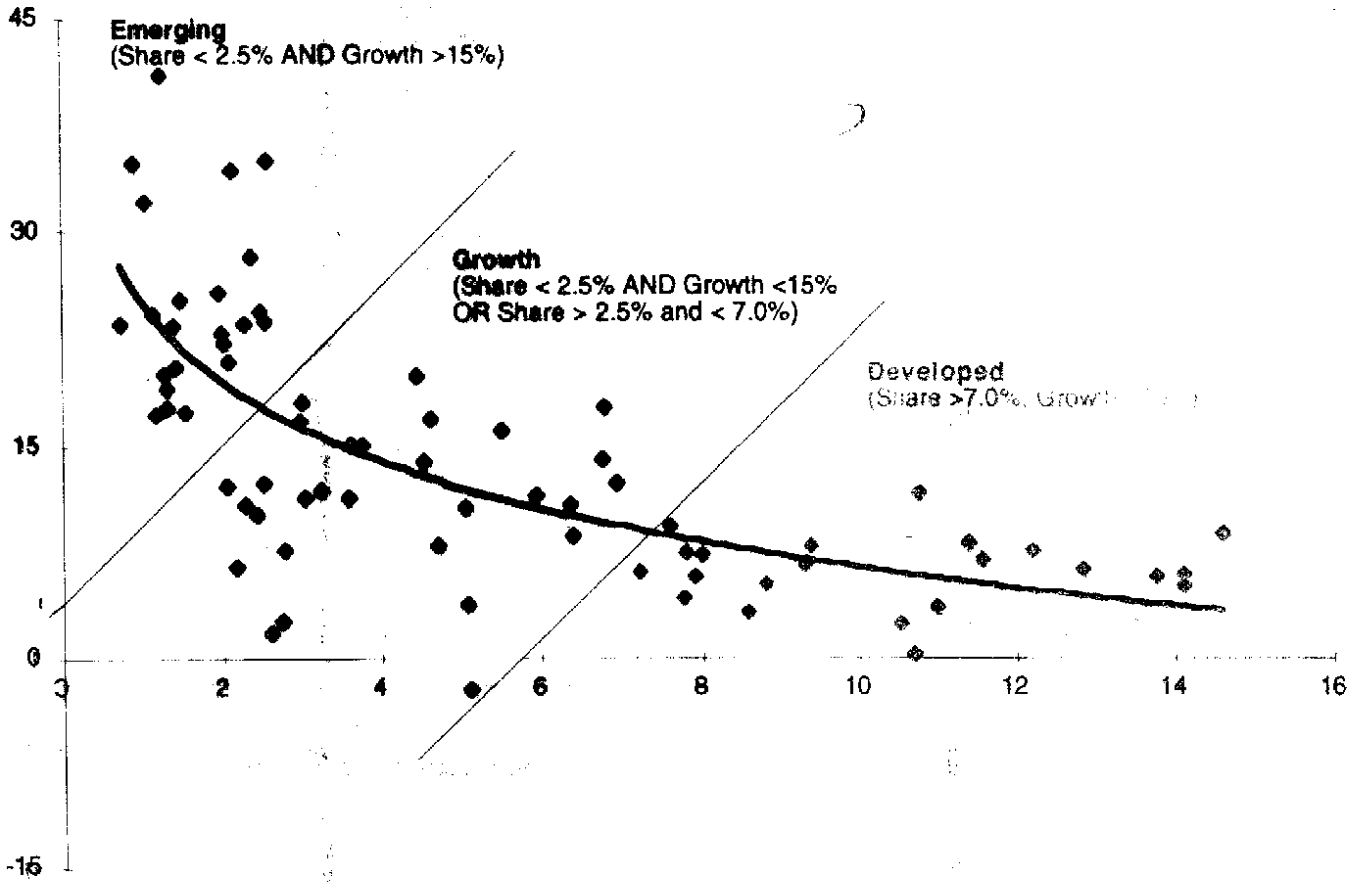


2072455238

Source: https://www.industrydocuments.ucsf.edu/docs/lkln0004

PM USA

Newport Share Development
(52wks)



* Alaska and Hawaii are not included due to data constraints.
Source: STARS

Newport Study- BH/MO/ dd - 3/17/99 - 19

Dev · NY Hartford, Ph

Emerg. Omaha
Tulsa
Midland

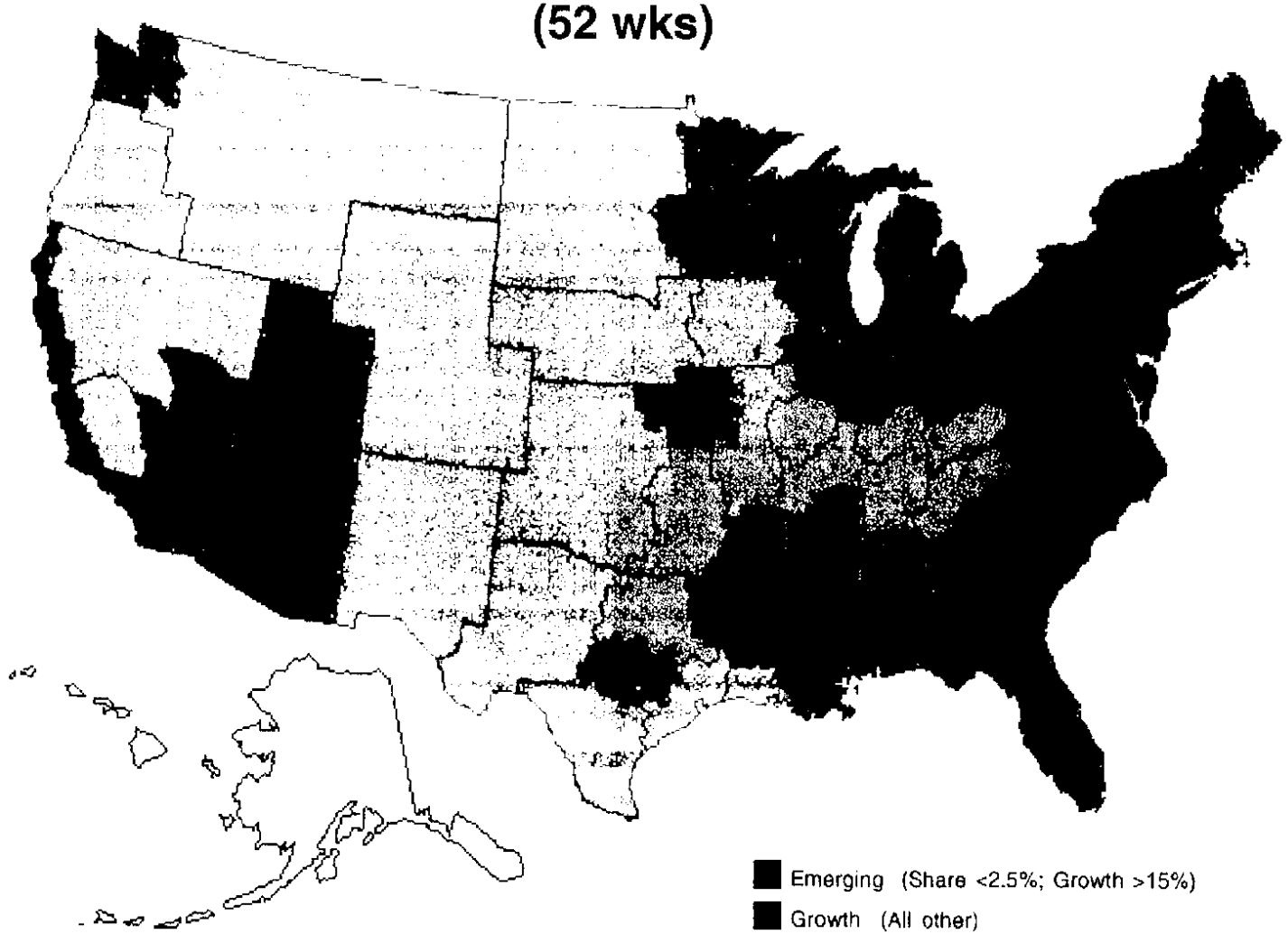
Order No. 016-1130-00

Tektronix

2072455239

Source: https://www.industrydocuments.ucsf.edu/docs/lkln0004

Newport
(52 wks)



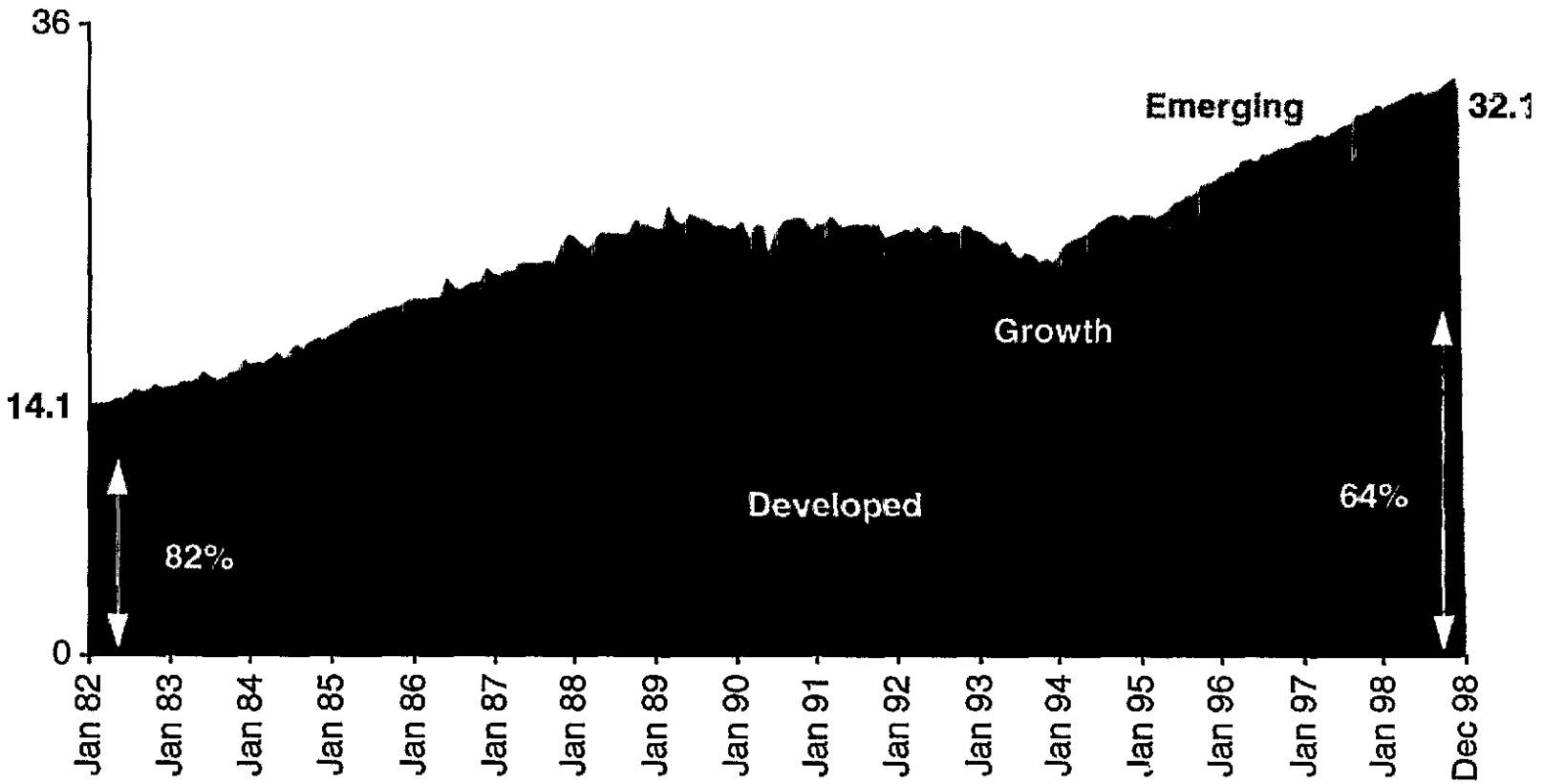
2072455240

*Alaska and Hawaii are not included due to data constraints.
Source: STARS

Source: https://www.industrydocuments.ucsf.edu/docs/lkln0004

Newport Geographic Volume Trends

(Bil. units 12mm)



Developed: Share > 7%, Relative growth < 15%
Growth: all others
Emerging: Share < 2.5%, Relative growth > 15%
Source: MSA Shipments

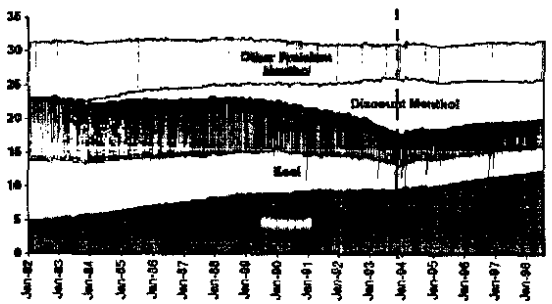
Proprietary & Confidential

2072455241

Source: https://www.industrydocuments.ucsf.edu/docs/lkln0004

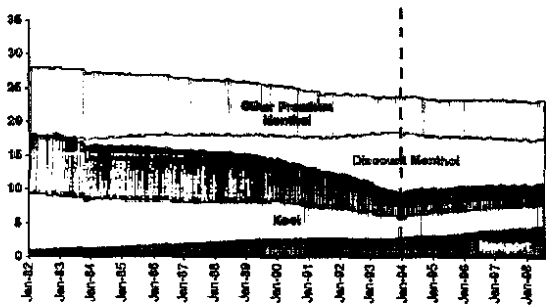
Menthol Brands Share Trends by Geographic Group
(% 12mm)

Developed



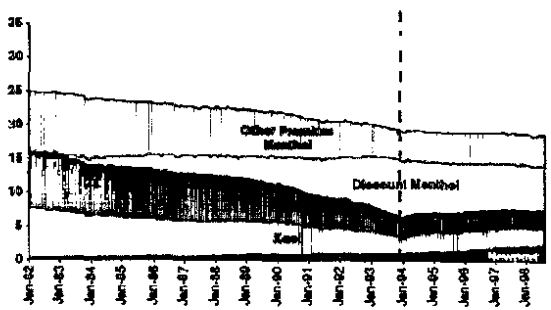
	Avg. Annual Chg. (pp 1/94 to 8/98)
Newport	0.6
Kool	0.0
Salem	-0.1
Discount Menthol	-0.4
Other Premium Menthol	0.2

Growth



	Avg. Annual Chg. (pp 1/94 to 8/98)
Newport	0.4
Kool	0.0
Salem	-0.1
Discount Menthol	-0.4
Other Premium Menthol	0.1

Emerging



	Avg. Annual Chg. (pp 1/94 to 8/98
Newport	0.3
Kool	0.0
Salem	-0.1
Discount Menthol	-0.4
Other Premium Menthol	0.0

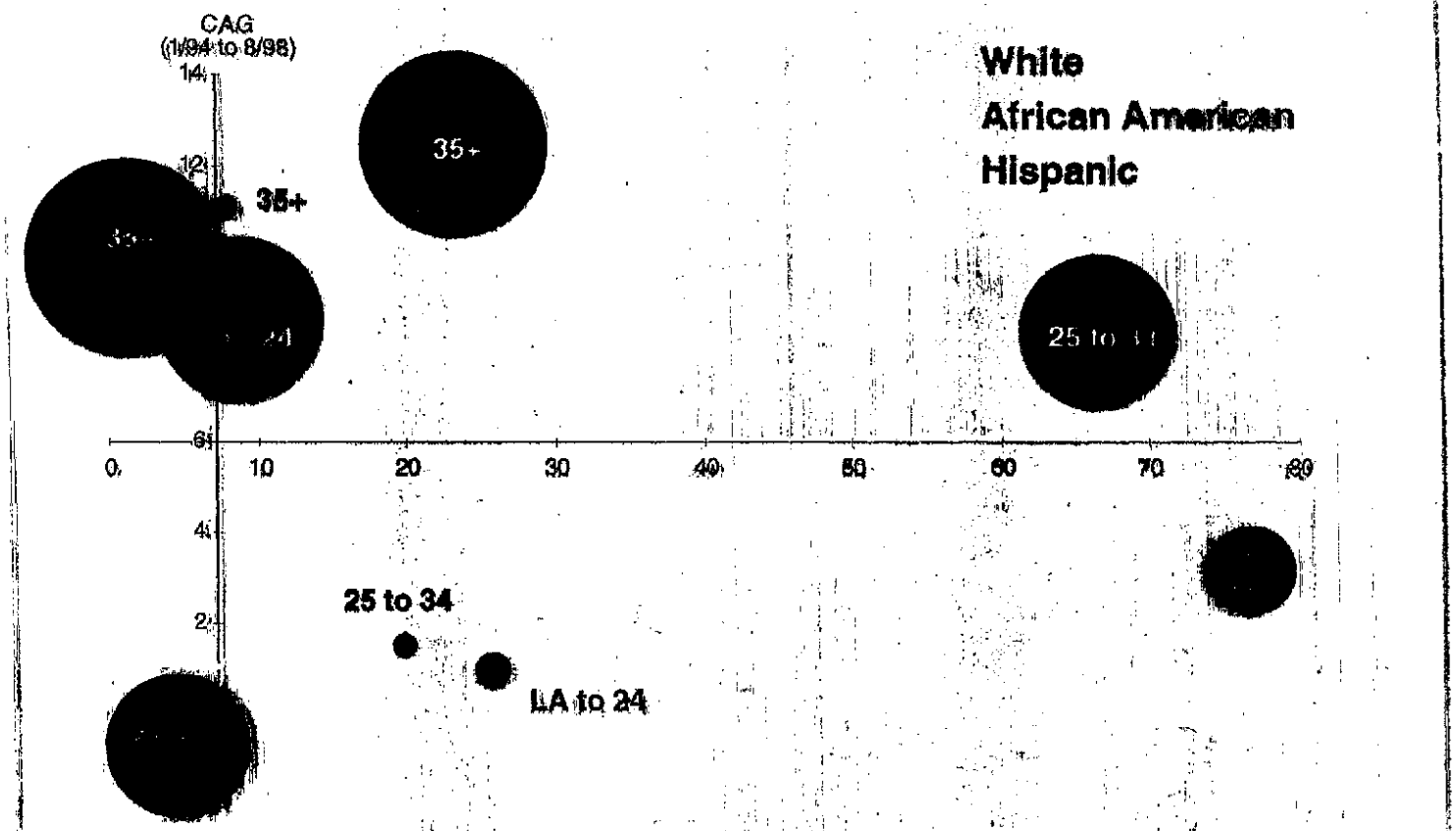
2072455242

Source: MSA Shipments

Source: https://www.industrydocuments.ucsf.edu/docs/lkln0004

PM USA

Newport Demographic Growth Drivers



Circle size represents volumetric contribution to Newport
Source: CTS

Newport Study; BJ/MO/dd - 3/17/99 - 25

35% were 35 in 1998
vs
30% in 1994

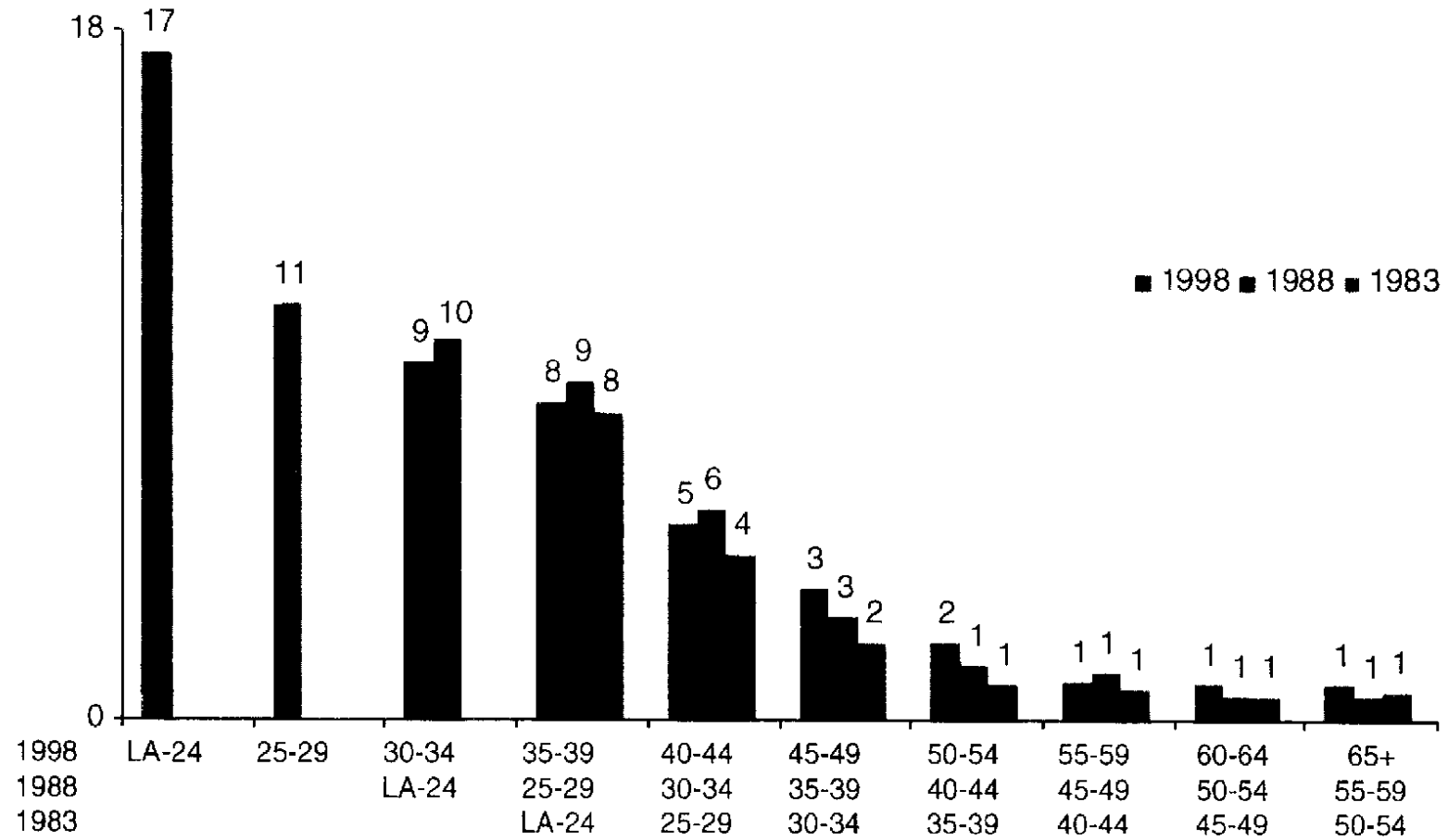
Order No. 016-1130-00

2072455243

Tektronix

Source: https://www.industrydocuments.ucsf.edu/docs/lkln0004

Newport Adult Smoker Share by Age
(%)



Source: CTS

2072455244

Source: https://www.industrydocuments.ucsf.edu/docs/lkln0004

US Population Trends

	Total Adults (LA+)			LA to 24		
	1990	1995	2005	1990	1995	2005
White	77%	76%	73%	71%	68%	65%
African American	11%	11%	11%	14%	14%	14%
Hispanic	8%	9%	10%	12%	13%	15%
Other	3%	4%	5%	4%	5%	6%

2072455245

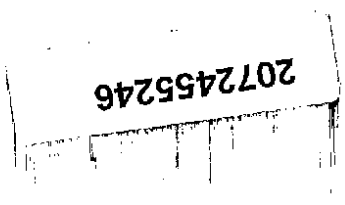
Source: US Census Bureau

Source: https://www.industrydocuments.ucsf.edu/docs/lkln0004

Future Outlook

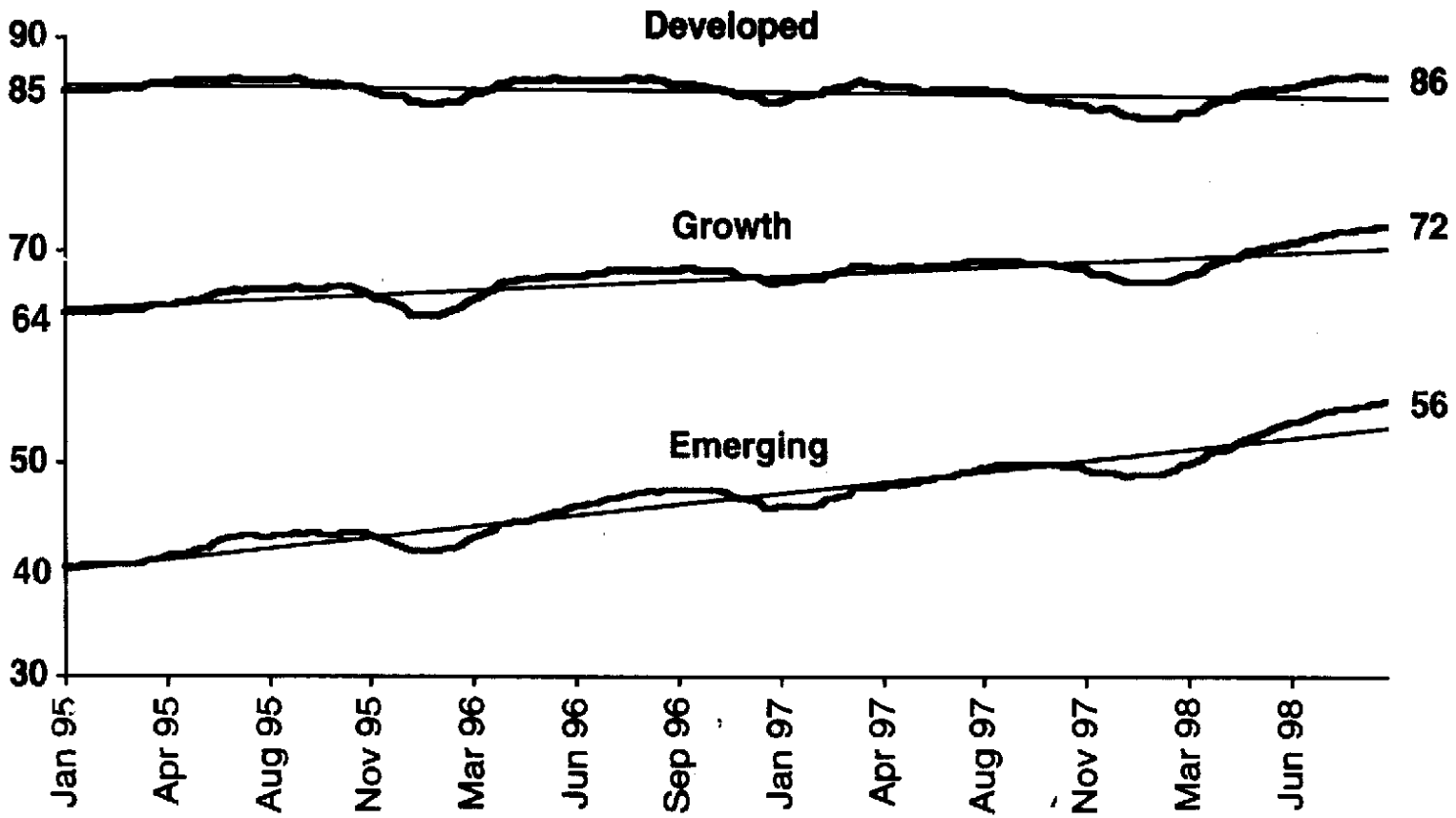
Demographics suggest continued growth...

...However, geographic/distribution opportunities are in non-core markets, which present demographic challenges.



Source: https://www.industrydocuments.ucsf.edu/docs/lkln0004

Newport Distribution
(% stores receiving 13wm)



Source: STARS

2072455247

Source: https://www.industrydocuments.ucsf.edu/docs/lkln0004

Demographic Index

	Developed	Growth	Emerging
White	99	99	103
LA to 24	98	101	102
25 to 34	99	99	102
35+	99	99	104
African American	135	91	57
LA to 24	131	95	59
25 to 34	139	93	61
35+	138	90	56
Hispanic	76	105	130
LA to 24	68	114	127
25 to 34	74	110	126
35+	81	99	133
Cuban	205	50	13
Dominican	252	10	4
Mexican	21	128	180
Puerto Rican	218	36	15
Other	106	101	89
Nielsen A (LA+)	142	93	43
Nielsen B (LA+)	81	106	122
Nielsen C (LA+)	74	112	122
Nielsen D (LA+)	47	97	192
HH Income < $30K	91	102	111
HH Income > $30K	105	99	94

Source: IRDD

2072455248

Source: https://www.industrydocuments.ucsf.edu/docs/lkln0004

Development Index
(52wks)

	Developed	Growth	Emerging
Premium	109	98	91
Discount	77	106	121
Menthol	127	95	74
Premium Menthol	139	91	63
Discount Menthol	94	105	101
Marlboro	97	100	104
Newport	186	74	31
Salem	126	95	76
Kool	112	100	82
Maverick	45	103	168

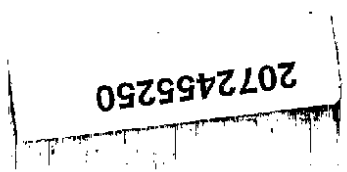
2072455249

Source: STARS

Source: https://www.industrydocuments.ucsf.edu/docs/lkln0004

Perceived Resource Allocation

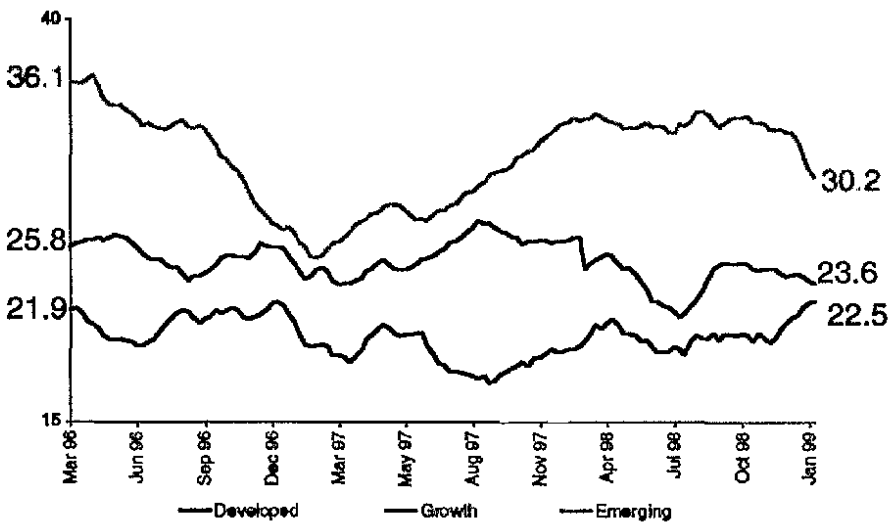
- Investment spending
- Promotion strategy
  - High support in Growth/Emerging areas
  - Minimal spending in core areas
- Media strategy
  - Proportional spending to volume



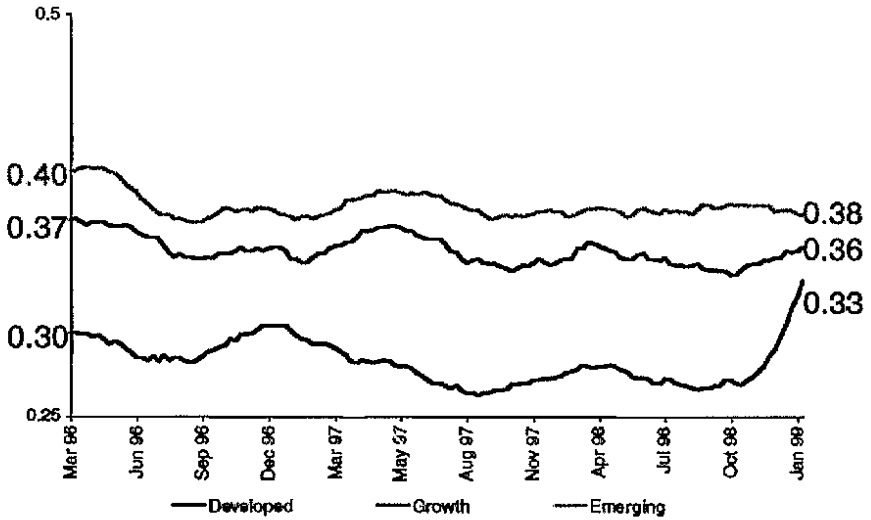
Source: https://www.industrydocuments.ucsf.edu/docs/lkln0004

Newport Buydown Activity in C-Stores

Buydown Incidence
(% 13wm)



Avg. Buydown Values
($/pk 13wm)



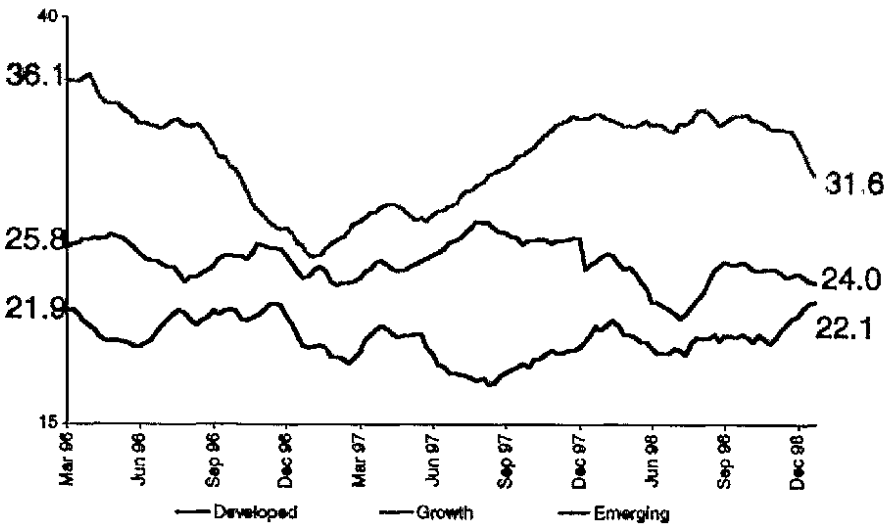
2072455251

Source: Nielsen

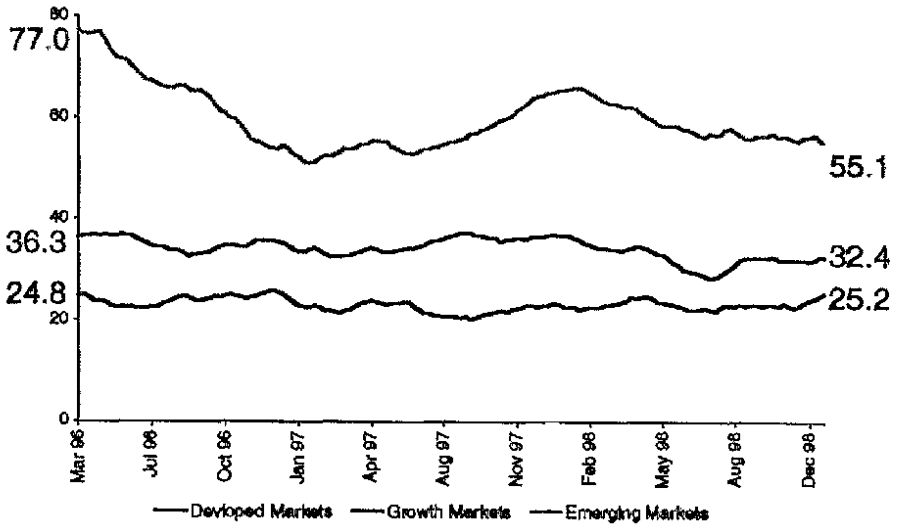
Source: https://www.industrydocuments.ucsf.edu/docs/lkln0004

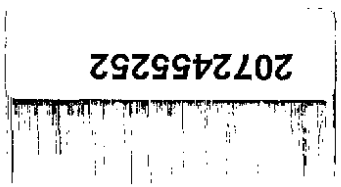
Newport Buydown Activity in C-Stores

Buydown Incidence
(% 13wm)



Avg. Buydown Incidence Adjusted for Distribution
(% 13wm)

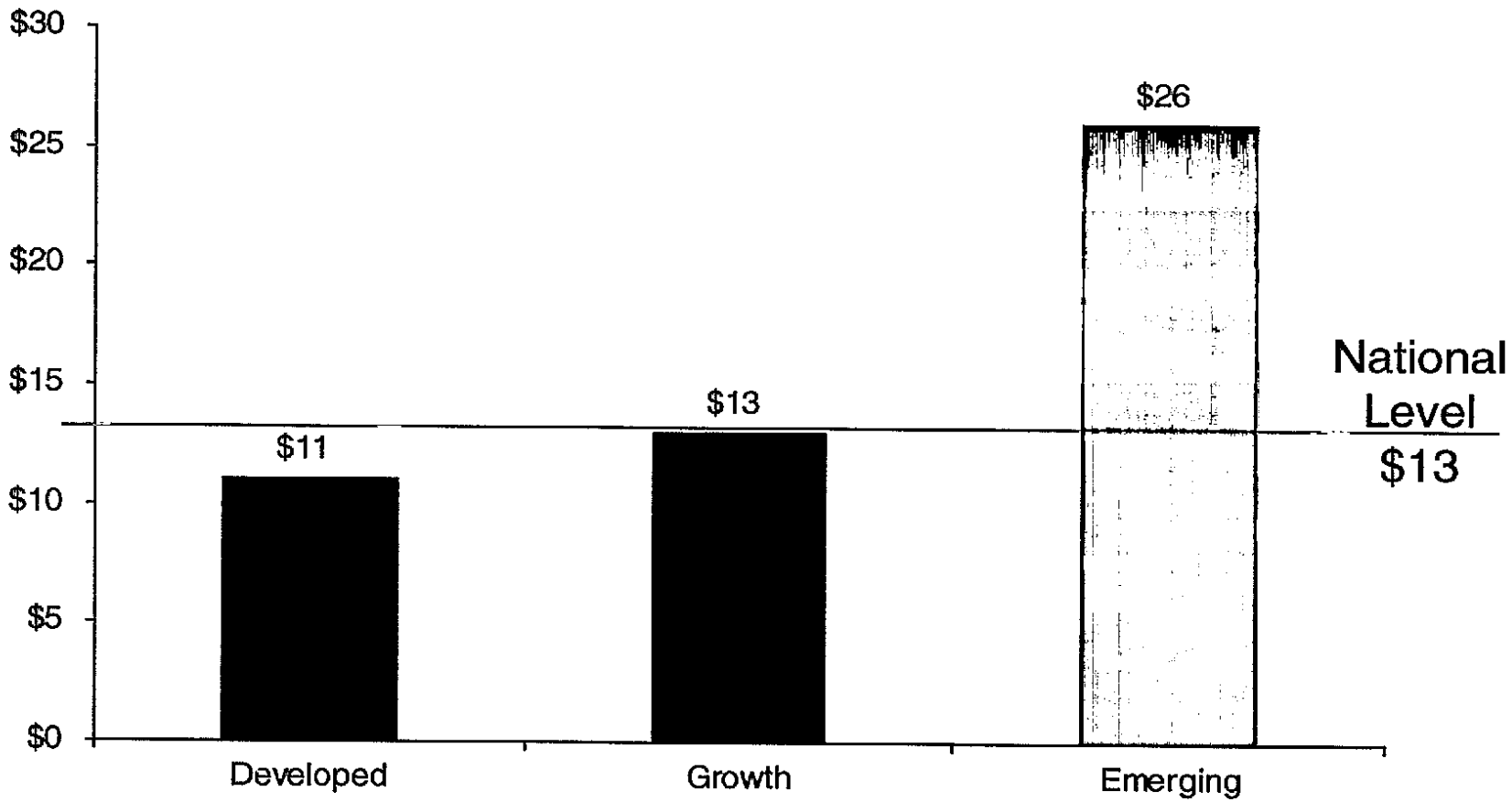




Source: Nielsen

Source: https://www.industrydocuments.ucsf.edu/docs/lkln0004

Newport Estimated Marketing Spending
($/M)



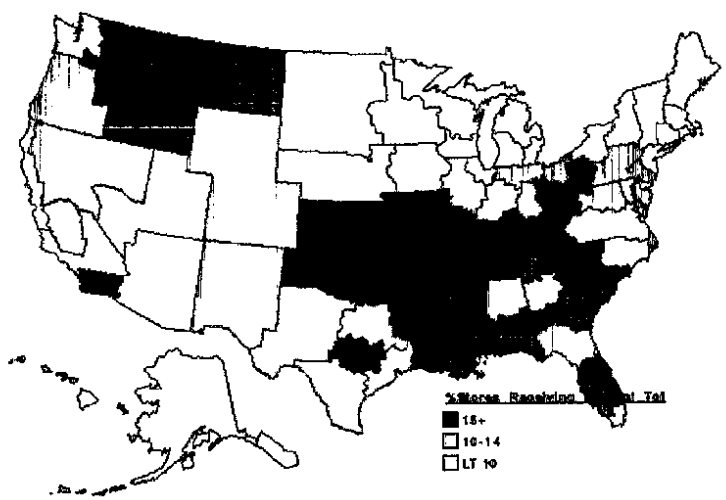
Source: BP Estimates based on Nielsen data

2072455253

Source: https://www.industrydocuments.ucsf.edu/docs/lkln0004

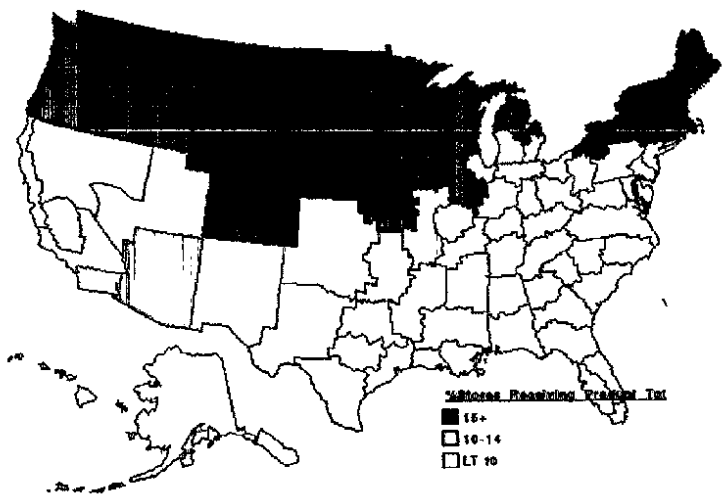
Maverick and Old Gold Distribution

Maverick
(% Stores Receiving 52wks)



Source: PM Stars Projected Database - Weekly - December 19 1998

Old Gold
(% Stores Receiving 52wks)



Source: PM Stars Projected Database - Weekly - December 19 1998

2072455254

Source: STARS

Source: https://www.industrydocuments.ucsf.edu/docs/lkln0004

Newport Packing Distribution
(% stores receiving 52wks)

	Total US	Developed	Growth	Emerging
Newport	70	84	70	52
Full Flavor Packings				
KSF Soft Pack	41	47	44	29
KSF Box	55	71	53	37
100 Soft Pack	29	35	30	18
100 Box	34	51	29	17
Lights Packings				
KSF Soft Pack	15	25	13	4
KSF Box	19	43	9	3
100 Soft Pack	6	11	5	1
100 Box	7	17	3	1

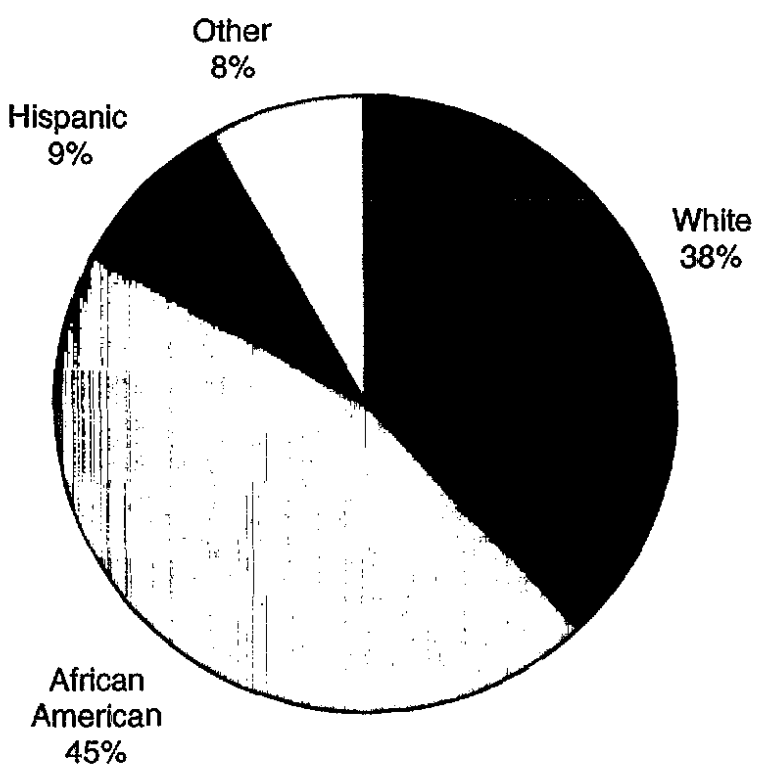
2072455255

Source: STARS

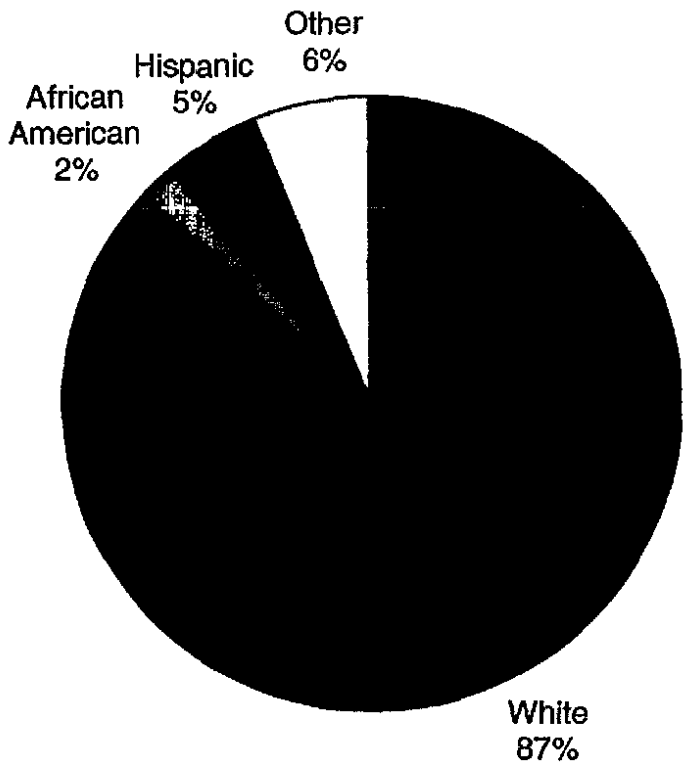
Source: https://www.industrydocuments.ucsf.edu/docs/lkln0004

Race Contribution of Total Adult (LA+) Smokers
(12mm)

Newport



Marlboro

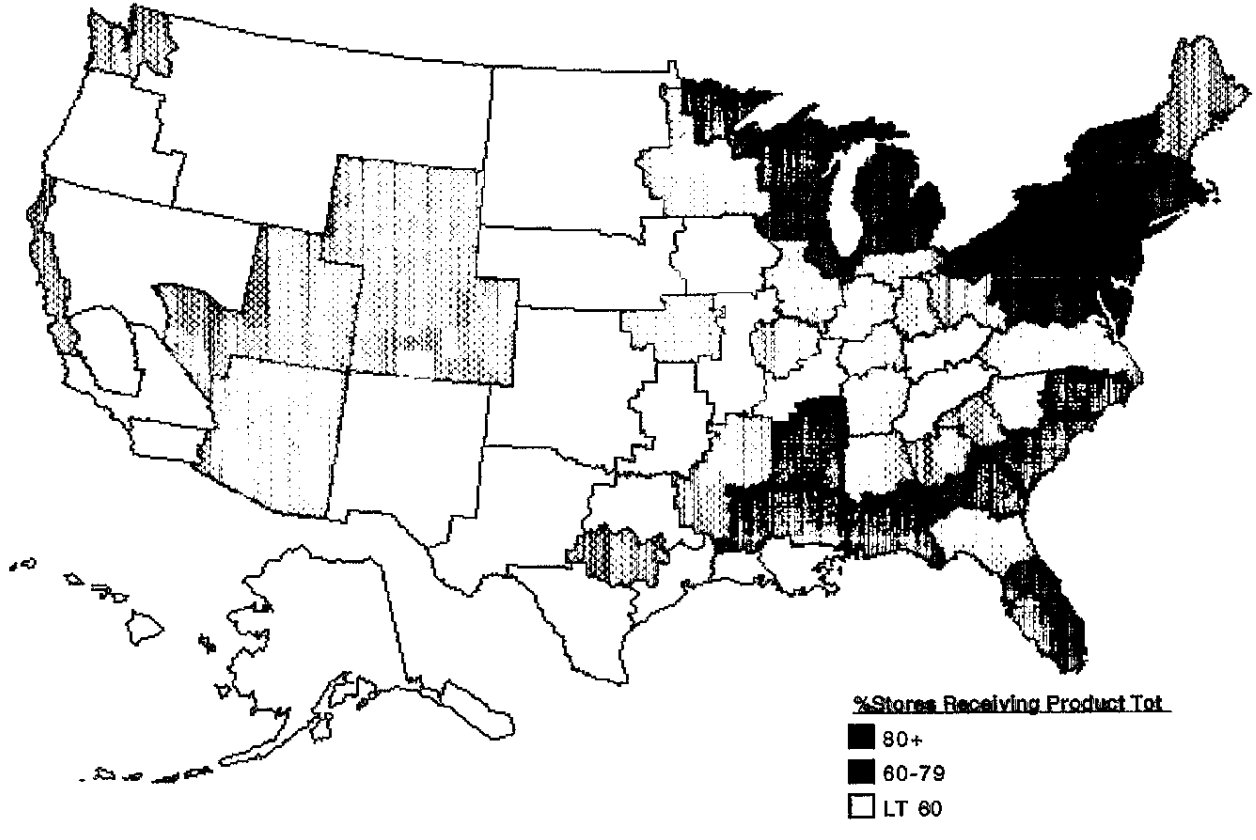


2072455256

Source: CTS

Source: https://www.industrydocuments.ucsf.edu/docs/lkln0004

Newport Distribution
(% Stores Receiving 52wks)



Source: STARS

2072455257

Source: https://www.industrydocuments.ucsf.edu/docs/lkln0004

Newport Overview

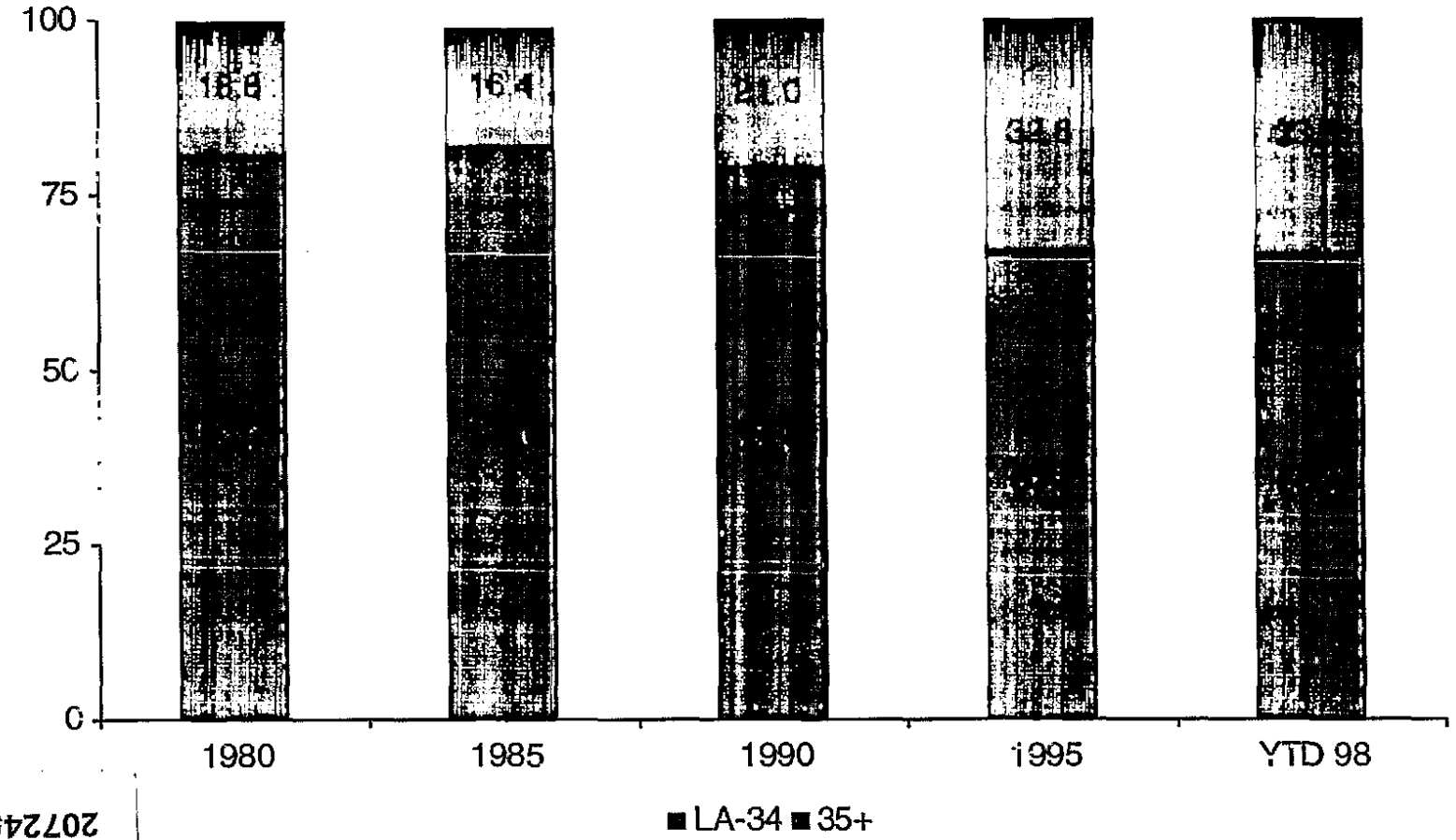
- YTD share 6.9%, up +0.5pp vs. YAG
- Share of menthol category 27.4%, up +1.8pp vs. YAG
  - Menthol category relatively unchanged since 1994
- Overdeveloped in:
  - Regions 1 and 2
  - Nielsen A counties and Metro
  - Pack outlets
- Growth across all trade classes and geographies
- YTD share of Young Adult Smokers (Legal Age to 24) 17.0%, up +5.0pp since 1994
- Full flavor franchise

2072455258

Source: https://www.industrydocuments.ucsf.edu/docs/lkln0004

Newport Adult Smokers by Age

(%)

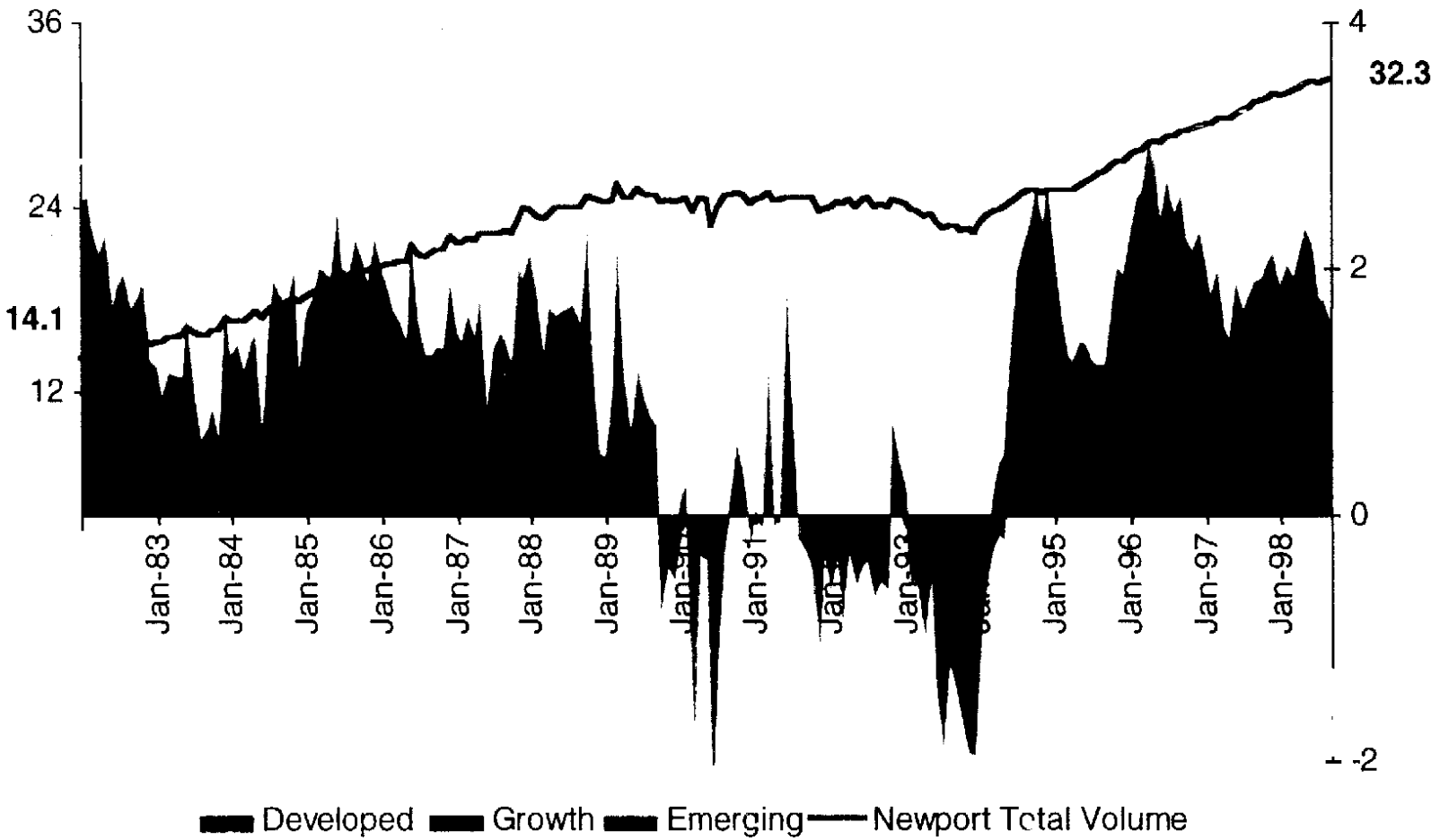


2072455259

Source: CTS

Source: https://www.industrydocuments.ucsf.edu/docs/lkln0004

Newport Volume Change vs. YAG by Geography
(Bil. units 12mm)



Source: MSA Shipments

2072455260

Source: https://www.industrydocuments.ucsf.edu/docs/lkln0004